

## Message Text

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INFO OCT-01 ISO-00 /006 R

66613

DRAFTED BY: AF/W:JKBISHOP:RCB

APPROVED BY: AF/W:JLLOUGHRAN

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FM SECSTATE WASHDC

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FOLLOWING SENT ACTION SECSTATE WASHDC INFO BONN BERN BRUSSELS  
COPENHAGEN LONDON OSLO PARIS ROME FROM ACCRA DECEMBER 19TH

QUOTE

LIMITED OFFICIAL USE ACCRA 7614

FOR ROME ATTENTION DEPUTY ASSISTANT SECRETARY SMITH

EO 11652: N/A

TAGS: EFIN, EAID, PFOR, IBRD, GH

SUBJECT: GHANA DEBT: RESCHEDULING NEGOTIATIONS WITH GOG

REF: ACCRA 7521

1. SUMMARY. POSSIBILITY OF ACHIEVING DEBT SETTLEMENT DURING ACCRA  
NEGOTIATIONS PRECLUDED WHEN GOESUBMITTED TO CREDITORS OVER WEEKEND  
RESCHEDULING COUNTER-PROPOSAL INCORPORATING TERMS UNACCEPTABLE TO  
CREDITORS AS BASIS FOR NEGOTIATION. CREDITORS REACTEDSVTRONGLY,  
CANCELING SCHEDULED MONDAY MEETING AND SENDING LE QUESNE TO INFORM  
ASHLEY-LASSEN THAT CREDITORS NOT WILLING ACCEPT GOG COUNTER-  
PROPOSAL, WHICH CALLED FOR 10-YEAR GRACE AND TWENTY-FIVE YEAR  
REPAYMENT PERIODS AT 3/4 PERCENT INTEREST, AS BASIS FOR DISCUSSION.

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ASHLEY-LASSEN ACCEPTED LE QUESNE'S SUGGESTION TJLKS BE ADJOURNED

AFTER ACKNOWLEDGING GENEROSITY CREDITORS' 7/18/2 PERCENT FORMULA AND EMPHASIZING IMPORTANCE GOG ATTACHES TO 10-YEAR GRACE PERIOD. ALTHOUGH DISAPPOINTED OUTCOME ACCRA TALKS, MOST CREDITORS APPEAR BELIEVE DEMONSTRATION THEIR FIRMNESS MAY HAVE SALUTORY IMPACT ON GHANAIS. SESSION ALSO LED TO HELPFUL CLARIFICATIONS EACH OTHER'S POSITIONS. CREDITORS TO CONSIDER ALTERING 7/18/2 PERCENT FORMULA TO PROVIDE EQUIVALENT GRANT ELEMENT WITH 10-YEAR GRACE PERIOD. CREDITOR CAUCUS TENTATIVELY SCHEDULED FOR LONDON WEEK JANUARY 14, WITH GOG TO BE INVITED TO RESUME NEGOTIATIONS IN ROME DURING FIRST HALF FEBRUARY, PROVIDED GOG ACCEPTS BEFOREHAND CREDITORS' REVISED FORMULA AND ESSENTIALS OF CREDITORS DRAFT AGREED MINUTE. CREDITORS REPRESENTATIVES AGREED TRY HOLD OFF AID TALKS AND OPPOSE IBRD LENDING THROUGH MID-FEBRUARY. ONE OF FEW ELEMENTS OF AGREEMENT BETWEEN CREDITORS AND GOG IS 1.5 MILLION DOLLARS DE MINIMIS LEVEL, WHICH HOPEFULLY WILL ALLOW U.S. AVOID RESCHEDULING. END SUMMARY.

2. GOG RESPONSE TO CREDITORS' RESCHEDULING PROPOSAL DELIVERED TO CREDITOR REPRESENTATIVES DECEMBER 16 CONSTITUTED DETAILED COUNTER-PROPOSAL. PRINCIPAL FEATURES WERE 10-YEAR GRACE AND SUBSEQUENT 25-YEAR REPAYMENT PERIODS AT 3/4 PERCENT INTEREST RATE. GHANAIS REPEATED EARLIER REQUEST FOR RESCHEDULING OF POST-NKRUMAH DEBTS BUT CONCEDED DOLLARS 1.5 DE MINIMIS-LEVEL AND AGREED TO JULY 1, 1972, START-UP DATE. GOG PROPOSED TO ADD A REVERSE MOST-FAVORED-NATION CLAUSE, WHICH WOULD OBLIGE CREDITORS TO ACCORD GOG BENEFIT OF ANY MORE LIBERAL RESCHEDULING TERMS WHICH MIGHT BE GRANTED OTHER DEBTOR GOVERNMENT IN NEGOTIATIONS AFTER CONSLUSION GHANA DEBT RESCHEDULING. GHANAIS ALSO PROPOSED RESCHEDULING ARREARS DUE THROUGH JUNE 30, 1972, ON SAME TERMS AS NKRUMAH DEBT.

3. FURTHER PROVISIONS OF GHANAIN COUNTERPROPOSAL INCLUDE EXCLUSION FROM RESCHEDULING OF DEBTS REPUDIATED IN FEBRUARY 5 STATEMENT UNTIL DISPUTES OVER THEM RESOLVED. GHANAIS WOULD UNDERTAKE TO COMPLETE REVIEW OF NKRUMAH ERA CONTRACTS BY APRIL 30, 1974, PROVIDED CREDITORS HAD SUPPLIED BY JANUARY 31, 1974, ALL INFORMATION REQUESTED ON ALL CONTRACTS EXECUTED PRIOR JANUARY 13, 1972. NEGOTIATIONS ON BILATERALS WOULD BEGIN AS SOON AS POSSIBLE AFTERMAY 31, 1974, PROVIDED CREDITORS WERE SATISFIED TOTAL DEBT REPUDIATED DID NOT CALL INTO QUESTION TERMS OF DEBT RELIEF. GHANAIAN FORMULATION IMPLICITLY RECOGNIZED INDIVIDUAL CREDITORS WOULD WISH ENSURE THEY LIMITED OFFICIAL USE

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DID NOT HAVE DISPROPORTIONATE SHARE OF ADDITIONAL CONTRACTS REPUDIATED. DISPUTES REGARDING VALIDITY OF DISPUTED CONTRACTS WOULD BE SETTLED BY REFERENCE TO ICSID. DEBTS ON CONTRACTS RULED VALID WOULD BE RESCHEDULED ON SAME TERMS AS OTHER DEBT.

4. IT WAS UNANIMOUS AGREEMENT OF CREDITOR DELEGATES THAT GHANAIN COUNTER-PROPOSAL DID NOT CONSTITUTE AN ACCEPTABLE BASIS FOR FURTHER NEGOTIATIONS. IN LIEU MEETING BETWEEN TWO SIDES SCHEDULED FOR

DECEMBER 17, ASHLEY-LASSEN WAS ASKED RECEIVE LE QUESNE. CREDITOR POSITION CONVEYED TO ASHLEY-LASSEN IN THIS MEETING WAS THAT GOG COUNTER-PROPSAL FAILED RECOGNIZE CREDITORS WERE SERIOUS IN STATING THAT TERMS OF THEIR OFFER WERE A MAXIMUM EFFORT. LE QUESNE TOLD HIM SOME ELEMENTS OF COUNTER-PROPOSAL, INCLUDING PROPOSED RE-SCHEDULING TERMS, IMPOSSIBLE TO NEGOTIATE, WHILE OTHER ELEMENTS WOULD BE AT BEST VERY DIFFICULT TO NEGOTIATE. LE QUESNE EMPHASIZED THAT CREDITORS' PROPOSAL IMPLIED A GRANT ELEMENT MORE GENEROUS THAN OFFERED BY CREDITORS IN ANY OTHER RESCHEDULING EXERCISE. LE QUESNE EXPLAINED ALSO THAT IN CONTRAST WITH INDONESIAN RESCHEDULING, GOG WAS NOT BEING ASKED TO SUBMIT TO EXTERNAL CONTROL AND DISCIPLINE OF AN IMF STANDBY, THAT RESUMPTION OF AID AND COVER FOLLOWING A DEBT SETTLEMENT WOULD MEAN A NET RESOURCE INFLOW, AND FINALLY THAT THE ECONOMIES OF CREDITOR COUNTRIES LIKELY TAKE DOWNTURN IN COMING MONTHS, MAKING OFFER OF MORE GENEROUS TERMS MOST UNLIKELY. LE QUESNE SAID THAT UNLESS GOG WAS PREPARED TO ACCEPT CREDITORS' PROPOSAL AS BASIS FOR NEGOTIATIONS, IT MIGHT BE BEST TO ADJOURN MEETING, WITH A FINAL MEETING ON DECEMBER 18 DURING WHICH CREDITORS WOULD GIVE FORMAL REPLY TO GOG COUNTERPROPOSAL.

5. ASHLEY-LASSEN AGREED THAT AN ADJOURNMENT WAS IN ORDER, BUT ADDED THAT HE RECOGNIZED CREDITORS' PROPOSAL WAS A MAJOR IMPROVEMENT IN TERMS CREDITORS HAD OFFERED. HE ALSO STATED GOG WOULD NOT LIKE TYPE EXTERNAL CONSTRAINTS IMPOSED ON INDONESIA. HE THEN SAID 10-YEAR GRACE PERIOD IS ESSENTIAL GOG REQUIREMENT, AS 7-YEAR PERIOD WILL APPEAR TO GHANAIAAN PUBLIC AS ONLY FIVE YEARS, DUE TIME WHICH HAS ELAPSED SINCE GRACE PERIOD WOULD BEGIN. HE SAID HE HAD AUTHORITY ACCEPT A 2 PERCENT INTEREST RATE AND THAT GOG WOULD PREFER A 20-YEAR REPAYMENT PERIOD.

6. LE QUESNE REPLIED THAT NO CREDITOR DELEGATED HAD AUTHORITY TO OFFER RESCHEDULING TERMS MORE GENEROUS THAN THE 7/18/2 PER-LIMITED OFFICIAL USE

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CENT FORMULA OF THEIR COMMON PROPOSAL. HE ADD HE SAW NO POSSIBILITY THE CREDITORS WOULD AGREE TO ANY FORMULA CONTAINING A GRANT ELEMENT GREATER THAN THE 7/18/2 PERCENT FORMULA. WHEN HE ASKED ASHLEY-LASSEN IF GOG MI  
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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** NEGOTIATIONS, DEBT REPAYMENTS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 03 JAN 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** morefirh  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
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**Document Number:** 1974STATE001292  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** AF/W:JKBISHOP:RCB  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** n/a  
**From:** STATE  
**Handling Restrictions:** n/a  
**Image Path:**  
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**Legacy Key:** link1974/newtext/t19740163/aaaachsp.tel  
**Line Count:** 153  
**Locator:** TEXT ON-LINE  
**Office:** ORIGIN AF  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:**  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** ACCRA 7521  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** morefirh  
**Review Comment:** n/a  
**Review Content Flags:** ANOMALY  
**Review Date:** 03 APR 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <03 APR 2002 by kellew0>; APPROVED <22 APR 2002 by morefirh>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** GHANA DEBT: RESCHEDULING NEGOTIATIONS WITH GOG  
**TAGS:** EFIN, EAID, PFOR, GH, IBRD  
**To:** THE HAGUE TOKYO  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005